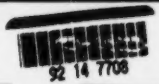

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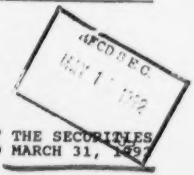
Form 10-Q

(1) 350686 SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549



[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 0-14146

S2 GOLF INC.
(Exact Name of Registrant as Specified in its Charter)

| New Jersey | 22-2388568 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 18 Gloria Lane, Fairfield, NJ (Address of Principal Executive Office) | 07004 (Zip Code) |

(201) 227-7783
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO___

On March 31, 1992, 2,177,418, common shares $.01 par value, were issued and outstanding.

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INDEX


| | | Page No. |
|---|---|---|
| PART I. | **FINANCIAL INFORMATION** | |
| Item 1. | Financial Statements | |
| | Balance Sheets - March 27, 1992 and December 31, 1991 | 2 |
| | Statement of Operations - Three Months Ended March 27, 1992 and March 31, 1991 | 3 |
| | Statements of Cash Flow - Three Months Ended March 27, 1992 and March 31, 1991 | 4 |
| | NOTES TO FINANCIAL STATEMENTS | 5 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 5 |
| PART II. | **OTHER INFORMATION** | |
| Item 6. | EXHIBITS AND REPORTS ON FORM 8-K | 6 |
| | SIGNATURES | 8 |

PART I

Item 1. Financial Statements

S2 GOLF INC.
CONDENSED BALANCE SHEETS

| | March 27, 1992 (Unaudited) | December 31, 1991 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash | $ 41,977 | $ 155,753 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts) | 2,629,039 | 1,522,607 |
| Inventory: Raw Material | 1,404,405 | 1,062,814 |
| Work in Process | 37,773 | 59,311 |
| Finished Goods | 946,203 | 1,073,552 |
| Prepaid Expenses | 11,328 | 153,676 |
| Prepaid Income Taxes | 180,958 | 206,588 |
| Deferred Taxes | 93,786 | 93,786 |
| Total Current Assets | 5,345,479 | 4,328,087 |
| Plant and Equipment - Net | 230,857 | 252,517 |
| Other Assets - Net | 543,402 | 517,154 |
| Total Assets | $ 6,119,738 | $ 5,097,758 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short Term Borrowings | $ 2,547,084 | $ 1,643,972 |
| Accounts Payable | 420,923 | 358,275 |
| Accrued Expenses | 315,087 | 396,493 |
| Other Current Liabilities | 26,285 | 19,813 |
| Total Current Liabilities | 3,309,379 | 2,418,553 |
| Non-Current Liabilities | 475,059 | 475,521 |
| Total Liabilities | 3,784,438 | 2,894,074 |
| Shareholders' Equity | | |
| Common Stock $.01 Par; 12,000,000 Shares Authorized; 2,177,418 Shares Issued and Outstanding at March 31, 1992; 2,169,168 Shares at December 31, 1991 | 21,774 | 21,692 |
| Additional Paid in Capital | 3,948,746 | 3,907,579 |
| Treasury Stock | ( 120) | ( 116) |
| Accumulated Deficit | (1,635,100) | (1,725,471) |
| Total Shareholders' Equity | 2,335,300 | 2,203,684 |
| Total Liabilities and Shareholders' Equity | $ 6,119,738 | $ 5,097,758 |

The accompanying notes are an integral part of these financial statements.

S2 GOLF INC.
CONDENSED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH
UNAUDITED

| | March 27, 1992 | March 31, 1991 |
|---|---|---|
| Net Sales | $ 2,526,623 | $ 1,998,608 |
| Cost of Goods Sold | 1,675,763 | 1,312,549 |
| Gross Profit on Sales | 850,860 | 686,059 |
| Operating Expenses | | |
| Selling | 351,993 | 150,259 |
| General and Administrative | 342,213 | 212,797 |
| Total Operating Expenses | 694,206 | 363,056 |
| Operating Income | 156,654 | 323,003 |
| Interest - Net | ( 40,639) | ( 55,969) |
| Income before Income Taxes and Extraordinary Item | 116,015 | 267,034 |
| Provision for Income Taxes | 45,245 | 93,057 |
| Income Before Extraordinary Item | 70,770 | 173,977 |
| Extraordinary Item - Tax Benefit from Utilization of Net Operating Loss Carryforward | 19,600 | 11,918 |
| Net Income | $ 90,370 | $ 185,895 |
| Earnings Per Common Share: | | |
| Income before Extraordinary Item | $ .033 | $ .084 |
| Extraordinary Item | .009 | .005 |
| Net Income | $ .042 | $ .089 |
| Weighted Average Number of Shares Outstanding | 2,170,496 | 2,079,35[illegible] |

The accompanying notes are an integral part of these financial statements.

S2 GOLF INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH
UNAUDITED

| | March 27, 1992 | March 31, 1991 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net Income | $ 90,370 | $ 185,895 |
| Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities: | | |
| Depreciation and Amortization | 26,970 | 18,696 |
| Increase (Decrease) in Cash Flow from Operating Activities as a Result of Change in: | | |
| Accounts Receivable | (1,106,432) | (796,364) |
| Inventory | ( 192,704) | 149,621 |
| Prepaid Expenses | 167,969 | 33,926 |
| Accounts Payable | 62,648 | (384,454) |
| Letter of Credit Acceptances Payable | 280,648 | (222,546) |
| Other Current Liabilities | ( 32,817) | 36,979 |
| Income Taxes Payable | | ( 15,000) |
| Other Assets | ( 28,519) | ( 356) |
| NET CASH PROVIDED BY (USED) IN OPERATIONS | ( 731,867) | (993,603) |
| **INVESTING ACTIVITIES** | | |
| Purchase of Equipment | ( 3,038) | ( 15,720) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from Borrowings | 622,463 | 925,000 |
| Proceeds from Sale of Common Stock | - | 400 |
| Proceeds from Exercise of Warrants | - | 33,350 |
| Principal Payments on Long Term Debt | - | |
| Capital Lease Obligations - Net | ( 1,330) | ( 2,466) |
| Purchase of Common Stock | ( 4) | - |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 621,129 | 956,284 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | ( 113,776) | ( 53,039) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 155,753 | 254,530 |
| CASH AND CASH EQUIVALENTS - ENDING | $ 41,977 | $ 201,491 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Income Taxes Paid During the Period | $ 25 | $ 00 |
| Interest Paid During the Period | 33,939 | 55,963 |

The accompanying notes are an integral part of these financial statements.

**Summary of Significant Accounting Policies**

In the opinion of management, the financial information in this report reflects all adjustments necessary for a fair presentation of the results for the interim periods. No dividends have been declared or paid on common stock. Per share data was determined by using the weighted average number of common shares outstanding during the period.

**Common Stock**

On June 28, 1991, the Company effectuated a one-for-four reverse split of the common stock. Accordingly, the weighted average shares outstanding used in determining earnings per share of common stock includes the effects of this reverse split. The split was approved by the Company's shareholders at the 1991 Annual Meeting.

During the first quarter of 1992 common stock was issued which had previously been authorized and accrued at December 31, 1991. The changes in other current liabilities on the Statement of Cash Flows is net of this $41,249.

**Legal Proceedings**

The Company is a defendent in a patent infringement suit which was filed in the United States District Court for the Northern District of Illinois in August of 1991 based on the Company's production and sale of metal wood golf clubs. Management believes that the liability, if any, that may arise from this matter will not have a material effect on the financial condition or results of operation of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition and Liquidity

At March 27, 1992, the Company's working capital increased by $126,566 to $2,036,100 or 6% over December 31, 1991. Current assets increased by $1,017,392 from $4,328,087 at December 31, 1991, to $5,345,479 at March 27, 1992. The increase in current assets consisted primarily of an increase in Accounts Receivable of $1,106,432 reflecting the seasonality of the business. Current liabilities at March 27, 1992, increased a total of $890,826 over December 31, 1991, primarily as a result of an increase in short term borrowings for financing raw material purchases and operating expenses.

As a result of profitable operations for the three months ended March 27, 1992, the Company has been able to maintain its current liquidity position. The Company has been able to increase its inventory purchases and in turn, customer shipments due to its increased ability to issue letters of credit thru the Company's bank well in advance of its anticipated needs. At March 27, 1992, the Company had $143,667 left on its credit line and $309,249 in letters of credit written not drawn. However, due to increased customer demand for certain product lines, the Company continues to experience some delays in the receipt of the component inventory for the assembly of these products. The Company purchases numerous components from Taiwan, Korea and Japan, several of which may require up to six months advance order. As a result of these long lead times, the Company must forecast its anticipated sales and component requirements well in advance of customer demand.

Results of Operations

Net sales for the quarter ended March 27, 1992, increased 26% to $2,526,623 as compared to $1,998,608 for the same period in the prior year. These increases are primarily attributable to a) growth of the Company's golf club sales, including the new ladies XGR model and Series G putters which increased over 50% from 1991, and b) the addition of new dealers.

Gross profit as a percentage of net sales was 33.7% for the three months ended March 27, 1992, as compared to 34.3% to the same period in 1991. The decrease was attributable to higher overhead cost primarily depreciation expense, insurance and foreign agent fees, as compared to the same period in 1991.

Operating expenses have increased $331,150 for the three months ended March 27, 1992, over the same period in 1991. The increases are due to a) higher sales volume, b) increased legal and audit fees 107%, c) increases in advertising expenses associated with building brand awareness and supporting dealer sales 92%, d) an increase in field sales personnel 48%, and e) an increase in the Bad Debt Expense 41%. The foregoing factors contributed to the decrease in operating income for the three months ended March 27, 1992, as compared to the same period in 1991.

Net interest for the three month periods ended March 27, 1992, and March 31, 1991, was $40,639 and $55,969 respectively. While borrowings have increased for the three month period ended March 27, 1992, the Company borrowed at a lower interest rate than it did during the same period in 1991.

The Company had net income of $90,370 for the three month period ended March 27, 1992, as compared to $185,895 for the same period in 1991. The extraordinary item - tax benefit from the utilization of net operating loss carryforward - increased to $19,600 for the period ended March 27, 1992, as compared to $11,918 for the same period in 1991. This increase was a result of a study performed by the Company during 1991. The utilization of the net operating loss carryforward for Federal purposes, previously determined to be $140,205 in each year through original expirations, has been determined to be $232,500 each year.

Management anticipates, although there is no assurance, that given a reasonably good economic climate, the Company's improved financial position will result in increased sales during the current fiscal year. The Company believes that its improved working capital position will afford the Company the opportunity to acquire additional inventory, add more dealers and fill customers' orders promptly.

**PART II**

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Index

3.1 Amended and Restated Certificate of Incorporation of the Company dated June 28, 1991 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991).

3.2. Amended and restated By-laws of the Registrant dated December 6, 1991. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

4.1 Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.2 Common Stock Purchase Warrant in favor of Wesmar Partners dated February 28, 1988 (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.3 Stock Option Agreement between the Registrant and Wesmar Partners dated February 29, 1988 (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.4 Credit Agreement between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.21 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.5 Collateral Assignment of Patents, Copyrights and Trademarks between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.20 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.6 Security Agreement between the Registrant and the Union National Bank of Pittsburgh dated January 22, 1990 (incorporated by reference to Exhibit 4.23 of the Registrant's Registration Statement No. 33-37371 on Form S-3).

4.7 Amendment No. 1 to Credit Agreement between the Registrant and Integra Bank (formerly Union National Bank of Pittsburgh) (incorporated by reference to Exhibit 4.14 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, as amended by Form 8 dated November 22, 1991).

4.8 Amendment No. 2 to Credit Agreement between the Registrant and Integra Bank, (incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

4.9 United States Patent No. 4,203,598 issued to the Registrant (incorporated by reference to Exhibit 10.3 of the Registrant's Registration Statement No. 33-16931 on Form S-1).

(b) Reports on Form 8-K

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

S2 GOLF INC.

May 14, 1992
Dated:

by:
George Nichols
Chairman,
Chief Executive Officer and
Chief Financial Officer